

Water Quality Issues in the 112th Congress: Oversight and Implementation

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Summary

Much progress has been made in achieving the ambitious goals that Congress established nearly 40 years ago in the Clean Water Act (CWA) to restore and maintain the chemical, physical, and biological integrity of the nation's waters. However, long-standing problems persist, and new problems have emerged. Water quality problems are diverse, ranging from pollution runoff from farms and ranches, city streets, and other diffuse or "nonpoint" sources, to toxic substances discharged from factories and sewage treatment plants.

There is little agreement among stakeholders about what solutions are needed and whether new legislation is required to address the nation's remaining water pollution problems. For some time, efforts to comprehensively amend the CWA have stalled as interests have debated whether and exactly how to change the law. Congress has instead focused legislative attention on enacting narrow bills to extend or modify selected CWA programs, but not any comprehensive proposals.

For several years, the most prominent legislative water quality issue has concerned financial assistance for municipal wastewater treatment projects. House and Senate committees have approved bills on several occasions, but, for various reasons, no legislation has been enacted. At issue has been the role of the federal government in assisting states and cities in meeting needs to rebuild, repair, and upgrade wastewater treatment plants, especially in light of capital costs that are projected to be as much as \$390 billion. In the 111th Congress, the House passed H.R. 1262 to reauthorize the CWA's State Revolving Fund (SRF) program to finance wastewater infrastructure, and a companion bill, S. 1005, was approved by the Senate Environment and Public Works Committee. No legislation was enacted. Reauthorization legislation was introduced again in the 112th Congress (H.R. 3145), but no further action occurred.

Programs that regulate activities in wetlands also have been of interest, especially CWA Section 404, which has been criticized by landowners for intruding on private land-use decisions and for imposing excessive economic burdens. Environmentalists view this regulatory program as essential for maintaining the health of wetland ecosystems, and they are concerned about court rulings that have narrowed regulatory protection of wetlands and about related administrative actions. Many stakeholders desire clarification of the act's regulatory jurisdiction, but they differ on what solutions are appropriate. In the 111th Congress, the Senate Environment and Public Works Committee approved a bill that sought to clarify but not expand the CWA's geographic scope (S. 787). Because some stakeholders believe that the bills would expand federal jurisdiction—not simply clarify it—the bills were controversial, and no legislation was enacted. In contrast to approaches reflected in earlier proposals, bills in the 112th Congress would have narrowed the scope of the act's jurisdiction (S. 2122/H.R. 4304).

These issues drew interest in the 112th Congress, as well. In addition, a number of other CWA issues were the subject of congressional oversight and legislation, with some legislators highly critical of recent regulatory initiatives and others more supportive of EPA's actions. Among the topics of interest were environmental and economic impacts of Chesapeake Bay restoration efforts, federal promulgation of water quality standards in Florida, regulation of surface coal mining activities in Appalachia, and other CWA regulatory actions. Congressional interest in several of these issues was reflected in debate over policy provisions of legislation to provide appropriations for EPA in FY2012 (P.L. 112-74) and FY2013 (H.R. 6091).

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Introduction

Much progress has been made in achieving the ambitious goals that Congress established nearly 40 years ago to restore and maintain the chemical, physical, and biological integrity of the nation's waters. However, long-standing problems persist, and new problems have emerged. Water quality problems are diverse, ranging from pollution runoff from farms and ranches, city streets, and other diffuse or "nonpoint" sources, to "point" source discharges of metals and organic and inorganic toxic substances from factories and sewage treatment plants.

The principal law that deals with polluting activity in the nation's streams, lakes, estuaries, and coastal waters is the Federal Water Pollution Control Act (P.L. 92-500, enacted in 1972), commonly known as the Clean Water Act, or CWA. It consists of two major parts: regulatory provisions that impose progressively more stringent requirements on industries and cities to abate pollution and meet the statutory goal of zero discharge of pollutants; and provisions that authorize federal financial assistance for municipal wastewater treatment plant construction. Both parts are supported by research activities, plus permit and enforcement provisions. Programs at the federal level are administered by the Environmental Protection Agency (EPA); state and local governments have primary day-to-day responsibilities to implement CWA programs through standard-setting, permitting, enforcement, and administering financial assistance programs.¹

The water quality restoration objective declared in the 1972 act was accompanied by statutory goals to eliminate the discharge of pollutants into navigable waters by 1985 and to attain, wherever possible, waters deemed "fishable and swimmable" by 1983. Although those goals have not been fully achieved, considerable progress has been made, especially in controlling conventional pollutants (suspended solids, bacteria, and oxygen-consuming materials) discharged by industries and sewage treatment plants.

Progress has been mixed in controlling discharges of toxic pollutants (heavy metals, inorganic and organic chemicals), which are more numerous and can harm human health and the environment even when present in very small amounts—at the parts-per-billion level. Moreover, efforts to control pollution from diffuse sources, termed nonpoint source pollution (rainfall runoff from urban, suburban, and agricultural areas, for example), are more recent, given the earlier emphasis on "point source" pollution (discharges from industrial facilities and municipal wastewater treatment plants). Overall, data reported by EPA and states indicate that 44% of river and stream miles assessed by states and 64% of assessed lake acres do not meet applicable water quality standards and are impaired for one or more desired uses.² In 2006 EPA issued an assessment of streams and small rivers and reported that 67% of U.S. stream miles are in poor or fair condition and that nutrients and streambed sediments have the largest adverse impact on the aquatic species in these waters.³ Approximately 95,000 lakes and 544,000 river miles in the United States are under fish-consumption advisories (including 100% of the Great Lakes and their connecting waters), due to chemical contaminants in lakes, rivers, and coastal waters, and one-third of shellfishing beds are closed or restricted, due to toxic pollutant contamination. Mercury is a contaminant of growing concern. An EPA survey of toxins in lake fish tissue found

¹ For further information, see CRS Report RL30030, *Clean Water Act: A Summary of the Law*, by Claudia Copeland.

² U.S. Environmental Protection Agency, *National Water Quality Inventory: Report to Congress, 2004 Reporting Cycle*, EPA 841-R-08-001, January 2009, http://water.epa.gov/lawsregs/guidance/cwa/305b/2004report_index.cfm.

³ U.S. Environmental Protection Agency, *Wadeable Streams Assessment: A Collaborative Survey of the Nation's Streams*, EPA 841-B-06-002, December 2006, <http://www.epa.gov/owow/streamsurvey/>.

that mercury concentrations in game fish exceed health based limits in about half of lakes (49%) and that polychlorinated biphenyls (PCBs) are at potential levels of concern in 17% of the lakes.⁴

The last major amendments to the CWA were the Water Quality Act of 1987 (P.L. 100-4). That legislation culminated six years of congressional efforts to extend and revise the act and was the most comprehensive amendments since 1972. Authorizations of appropriations for some programs provided in P.L. 100-4, such as general grant assistance to states, research, and general EPA support, expired in FY1990 and FY1991. Authorizations for wastewater treatment funding expired in FY1994. None of these programs has lapsed, however, as Congress has continued to appropriate funds to implement them. EPA, states, industry, and other citizens continue to implement the 1987 legislation, including meeting the numerous requirements and deadlines in it.

The Clean Water Act has been viewed as one of the most successful environmental laws in terms of achieving its statutory goals, which have been widely supported by the public, but lately some have questioned whether additional actions to achieve further benefits are worth the costs, especially in view of the continuing problems of the U.S. economy. Criticism has come from industry, which has been the long-standing focus of the act's regulatory programs and often opposes imposition of new stringent and costly requirements. Criticism also has come from developers and property rights groups who contend that federal regulations (particularly the act's wetlands permit program) are a costly intrusion on private land-use decisions. States and cities have traditionally supported water quality programs and federal funding to assist them in carrying out the law, but many have opposed CWA measures that they fear might impose new unfunded mandates. Many environmental and conservation groups believe that further fine-tuning is needed to maintain progress achieved to date and to address remaining water quality problems.

Legislative and Oversight Issues in the 112th Congress

October 2012 marked the 40th anniversary of passage of the Clean Water Act and 25 years since the last major amendments to the law. While, as noted, there has been measurable clean water progress as a result of the act, observers and analysts agree that significant water pollution problems remain. However, there is less agreement about what solutions are needed and whether new legislation is required. Several key water quality issues exist: what additional actions should be taken to implement existing provisions of the law, whether additional steps are necessary to achieve overall goals of the act that have not yet been attained, how to ensure that progress made to date is not lost through diminished attention to water quality needs, and what is the appropriate federal role in guiding and paying for clean water infrastructure and other activities. For some time, efforts to comprehensively amend the act have stalled as interests have debated whether and exactly how to change the law. Many issues that might be addressed involve making difficult tradeoffs between impacts on different sectors of the economy; taking action when there is technical or scientific uncertainty; and allocating governmental responsibilities among federal, state, local, and tribal entities for implementing the law.

These factors partly explain why Congress has recently favored focusing legislative attention on narrow bills to extend or modify selected CWA programs, rather than taking up comprehensive proposals. Other factors also have been at work. These include a general reluctance by many Members of Congress to address controversial environmental issues in view of the relatively slim

⁴ U.S. Environmental Protection Agency, *National Lakes Assessment: A Collaborative Survey of the Nation's Lakes*, EPA 841-R-09-001, April 2010, http://water.epa.gov/type/lakes/upload/nla_newlowres_fullrpt.pdf.

majorities held by political parties in the House and the Senate; and an absence of presidential initiatives on clean water issues (neither the Clinton nor the Bush Administration proposed CWA legislation, nor has the Obama Administration). In addition, for some time after the terrorist attacks of September 11, 2001, Congress was more focused on security, terrorism, and Iraq war issues than on many other topics, including environmental protection.

The 2008 election encouraged many policymakers and stakeholders to anticipate much greater attention to many environmental issues, including clean water, by the 111th Congress and the Obama Administration. During the 2008 presidential campaign, candidate Obama supported several water quality issues, including preservation of wetlands, Great Lakes restoration legislation, water conservation, regulation of large animal feeding operations, and full funding of clean water infrastructure assistance programs. Funding for water infrastructure projects, discussed next in this report, received early attention in the 111th Congress in light of interest in using increased investment in public works projects—including wastewater—to stimulate the faltering U.S. economy, but the Obama Administration has not presented other legislative proposals concerning water quality. Also on the congressional agenda was consideration of the geographic reach of the CWA over the nation's waters and wetlands, in light of court rulings—including two Supreme Court decisions—that have narrowed the law's regulatory jurisdiction, but in ways that are somewhat unclear. The 111th Congress enacted two bills that amend the CWA. One dealt with extending a moratorium for CWA permitting of certain vessels (P.L. 111-215), and the other dealt with ensuring that federal agencies and departments pay localities for reasonable costs associated with managing stormwater pollution from federal properties (P.L. 111-378).

The 112th Congress also enacted two bills that amend the CWA. One extended the moratorium for CWA permitting of certain vessels for an additional year, until December 18, 2014 (P.L. 112-213), and the other extends authorization of funds for the Lake Pontchartrain Basin program in Section 121 of the act through FY2017 (P.L. 112-237). Two CWA issues that have been the focus of much of legislators' interest in recent Congresses received some attention again—water infrastructure financing, and regulatory protection of wetlands—but with different focus than in the recent past, as congressional leadership and priorities shifted after the November 2010 election. A number of other water quality issues were on Congress's agenda through oversight and legislation, as well.

Authorization of Clean Water Infrastructure Funding

Meeting the nation's needs to build, upgrade, rebuild, and repair wastewater infrastructure is a significant element in achieving the CWA's water quality objectives. The act's program of financial aid for municipal wastewater treatment plant construction is a key contributor to that effort. Since 1972 Congress has provided more than \$88 billion to assist cities in constructing projects to achieve the act's requirements for secondary treatment of municipal sewage (equivalent to 85% reduction of wastes), or more stringent treatment where required by local water quality conditions. State and local governments have spent more than \$25 billion of their own funds for construction, as well. Federal funds can only be used for construction purposes (i.e., new plants or upgrades), but not for operation and maintenance of facilities.

Still, funding needs remain very high: an additional \$298 billion, according to the most recent Needs Survey estimate by EPA and the states, released in June 2010, a 17% increase above the estimate reported four years earlier.⁵ This current estimate includes \$187.9 billion for wastewater treatment and collection systems (\$26.7 billion more than the previous report), which represent

⁵ U.S. Environmental Protection Agency, *Clean Watersheds Needs Survey 2008, Report to Congress*, Washington, June 2010, <http://water.epa.gov/scitech/datait/databases/cwns/upload/cwns2008rtc.pdf>.

more than 60% of all needs; \$63.6 billion for combined sewer overflow corrections (\$1.4 billion less than the previous estimate); \$42.3 billion for stormwater management (\$17 billion more than the previous estimate); and \$4.4 billion to build systems to distribute recycled water (\$700 million less than the previous estimate).

EPA reported several reasons for increased total needs for wastewater treatment, which were \$23 billion higher than in the previous report: improvements needed to meet more protective water quality standards, rehabilitation of aging infrastructure, and expanding capacity to meet population growth. Needs for stormwater management increased by \$17 billion and were mostly due to emerging needs to provide “green” infrastructure (e.g., use of wetland and other natural systems to capture stormwater) as a supplement to traditional stormwater treatment structures, according to EPA. The estimates do not explicitly include funding needed to address security issues, or funding possibly needed for treatment works to adapt to climate change impacts.

In September 2002, EPA released a study called the Gap Analysis that assessed the difference between current spending for wastewater infrastructure and total funding needs (both capital and operation and maintenance).⁶ In that report, EPA estimated that, over the next two decades, the United States needs to spend nearly \$390 billion to replace existing wastewater infrastructure systems and to build new ones. Funding needs for operation and maintenance (not eligible for Clean Water Act funding) are an additional \$148 billion over the next two decades, the agency estimated. According to the Gap Analysis, if there is no increase in investment, there will be about a \$6 billion gap between current annual capital expenditures for wastewater treatment (\$13 billion annually) and projected spending needs of approximately \$19 billion. The study also estimated that, if wastewater spending were to increase by 3% annually (essentially meaning a doubling of rates paid by ratepayers), the gap would shrink by nearly 90% (to about \$1 billion annually). At issue has been what the federal role should be in assisting states and cities, especially in view of such high projected funding needs.

Debate over the nation’s efforts regarding wastewater infrastructure was a central and controversial part of the 1987 amendments to the act. The amendments extended through FY1990 the traditional Title II program of grants for sewage treatment project construction, under which the federal share was 55% of project costs. The 1987 law initiated a program of grants to capitalize State Water Pollution Control Revolving Funds (SRFs), which are loan programs, in a new Title VI. States are required to deposit an amount equal to at least 20% of the federal capitalization grant in a state fund established pursuant to Title VI. Under the revolving fund concept, monies used for wastewater treatment construction are repaid by loan recipients to the states (repayment was not required for grants under the Title II program), to be recycled for future construction in other communities, thus providing an ongoing source of financing. The expectation in 1987 was that the federal contributions to SRFs would assist in making a transition to full state and local financing by FY1995. Although most states believe that the SRF is working well, continuing large funding needs have delayed the anticipated shift to full state responsibility. Thus, SRF issues have been prominent on the Clean Water Act reauthorization agenda in recent Congresses.⁷

SRF monies may be used for specified activities, including making loans for as much as 100% of project costs (at or below market interest rates, including interest-free loans), to buy or refinance cities’ debt obligation, or as a source of revenue or security for payment of principal and interest

⁶ U.S. Environmental Protection Agency, *The Clean Water and Drinking Water Infrastructure Gap Analysis*, EPA 816-R-02-020, September 2002.

⁷ For further information on the clean water SRF program, see CRS Report 98-323, *Wastewater Treatment: Overview and Background*, by Claudia Copeland.

on a state-issued bond. SRF monies also may be used to provide loan guarantees or credit enhancement for localities. Loans made by a state from its SRF are to be used first to assure progress towards the goals of the act and, in particular, on projects to meet the standards and enforceable requirements of the act. After states achieve those requirements of the act, SRF monies also may be used to implement national estuary and nonpoint pollution management programs. Since the SRF program began, states have used \$3.8 billion to assist more than 12,650 nonpoint management projects.

All states have established the mechanisms to administer the new loan programs and have been receiving SRF capitalization funds under Title VI. Many have complained that the SRF program is unduly complicated by federal rules that are intended in part to provide accountability for federal dollars, even though Congress had intended that states were to have greater flexibility. Congressional oversight has examined the progress toward reducing the backlog of wastewater treatment facilities needed to achieve the act's water quality objectives, while newer estimates of future funding needs have drawn increased attention to the role of the SRF program in meeting such needs. Although there has been some criticism of the SRF program, and debate continues over specific concerns, the basic approach is well supported. Congress used the clean water SRF as the model when it established a drinking water SRF in 1996 (P.L. 104-182).⁸

Although the initial intent was to phase out federal support for this program, Congress has continued to appropriate SRF capitalization grants to the states, providing an average of \$1.35 billion annually in recent years. **Table 1** summarizes wastewater treatment funding under Title II (the traditional grants program) and Title VI (capitalization grants for revolving loan programs) since the 1987 amendments. This table does not include appropriations for congressionally directed special project grants in individual cities (that is, congressional earmarks), which for several years represented about 15% of water infrastructure funds.⁹

Table 1. CWA Wastewater Treatment Funding
(billions of dollars)

Fiscal Year	Authorizations		Appropriations	
	Title II	Title VI	Title II	Title VI
1986	2.400	—	1.800	—
1987	2.400	—	2.360	—
1988	2.400	—	2.300	—
1989	1.200	1.200	0.941	0.941
1990	1.200	1.200	0.967	0.967
1991	—	2.400	—	2.100
1992	—	1.800	—	1.950
1993	—	1.200	—	1.930
1994	—	0.600	—	1.220
1995	—	—	—	1.240

⁸ For additional information, see CRS Report RS22037, *Drinking Water State Revolving Fund (DWSRF): Program Overview and Issues*, by Mary Tiemann.

⁹ Issues associated with special project grants are discussed in CRS Report RL32201, *Water Infrastructure Projects Designated in EPA Appropriations: Trends and Policy Implications*, by Claudia Copeland.

Fiscal Year	Authorizations		Appropriations	
	Title II	Title VI	Title II	Title VI
1996	—	—	—	2.070
1997	—	—	—	0.625
1998	—	—	—	1.350
1999	—	—	—	1.350
2000	—	—	—	1.345
2001	—	—	—	1.350
2002	—	—	—	1.350
2003	—	—	—	1.341
2004	—	—	—	1.342
2005	—	—	—	1.091
2006	—	—	—	0.887
2007	—	—	—	1.084
2008	—	—	—	0.689
2009	—	—	—	0.689
2009 ARRA ^a	—	—	—	4.000
2010	—	—	—	2.100
2011	—	—	—	1.522 ^b
2012	—	—	—	1.466 ^c
TOTAL	7.200	8.400	6.568	35.999

Source: Compiled by CRS.

- a. The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided \$4.0 billion in supplemental FY2009 appropriations.
- b. FY2011 amount reflects 0.2% rescission (from \$1.525 billion that was appropriated).
- c. FY2012 amount reflects 0.16% rescission (from \$1.469 billion that was appropriated).

One issue of continuing interest is impacts on small communities, many of which have found it difficult to participate in the SRF loan program. This is due to a number of factors: many are characterized by narrow or weak tax bases, limited or no access to capital markets, lower relative household incomes, higher per capita needs, and limited ability to demonstrate economies of scale. They often find it harder to borrow to meet their capital needs and pay relatively high premiums to do so. Meeting the special needs of small towns, through a reestablished grant program, other funding source, or loan program with special rules, has been an issue of interest to Congress.

Because remaining clean water funding needs are still so large nationally, at issue is whether and how to extend SRF assistance to address those needs, how to allocate SRF funds among the states, and how to prioritize projects and funding. Additionally, there is concern about the adequacy of SRF or other funding specifically for high-cost projects dealing with problems of overflows from municipal combined and separate sewers which can release partially treated or untreated wastewaters that harm public health and the environment. EPA estimates that the cost of projects to control sewer overflows and manage stormwater runoff is nearly \$64 billion nationwide—nearly twice the total of SRF capitalization grants appropriated since 1987. And

more recently, wastewater utilities have sought assistance to assess operational vulnerabilities and upgrade physical protection of their facilities against possible terrorist attacks that could threaten the water infrastructure system.¹⁰

During the Bush Administration, EPA officials took the position that infrastructure funding needs go beyond what the federal government can do on its own, and the President's budget for several years advanced the concept that federal funding would cease after 2011 and that state and local self-financing would occur thereafter. Although saying that federal and state funding can help water utilities meet future needs, EPA's principal water infrastructure initiative during that time was to support other types of responses to help ensure that investment needs are met in an efficient, timely, and equitable manner. In particular, EPA worked with water utilities to promote strategies based on concepts of better management, full-cost pricing, efficient water use, and watershed approaches to protection. EPA also has encouraged consumers to use water-efficient products (e.g., residential bathroom products), with the intent of reducing national water and wastewater infrastructure needs through conservation measures by reducing projected water demand and wastewater flow, thus deferring or downsizing of capital projects.

The Obama Administration's EPA likewise supports sustainable practices to reduce the potential gap between funding needs and spending. Building on concepts similar to those supported by the Bush Administration and on a request in the President's FY2010 budget, in October 2010 EPA issued a "Clean Water and Drinking Water Infrastructure Sustainability Policy" addressing management and pricing of infrastructure funded through SRFs to encourage conservation and provide adequate long-term funding for future capital needs. EPA is working with water utilities to promote planning processes that reflect not only public health and water quality, but also conservation of natural resources and innovative treatment. Further, EPA is working with states to target SRF assistance to projects that focus on system upgrade and replacement in existing communities, reflect full life cycle costs of infrastructure assets, and conserve natural resources or use alternative approaches. The Obama Administration also has supported increased appropriations for SRFs (see "Continuing Issue: Appropriations").

Legislative Responses

Congress has considered water infrastructure funding issues several times since the 107th Congress, but no legislation other than appropriations has been enacted. In that Congress, House and Senate committees approved bills to extend the act's SRF program and increase federal assistance (H.R. 3930; S. 1961). The Senate bill was reported, but a report on H.R. 3930 was not filed; neither bill received further action.

In the 108th Congress, bills to reauthorize the Clean Water Act SRF program were introduced, as were separate bills to reauthorize grant funding for projects to address municipal sewer overflows (CWA §221). The Senate Environment and Public Works Committee reported legislation authorizing \$41.25 billion over five years for wastewater and drinking water infrastructure programs, including \$20 billion for the clean water SRF program (S. 2550). In addition, the House Transportation and Infrastructure Subcommittee on Water Resources and Environment approved H.R. 1560 (legislation similar to H.R. 3930, the bill approved by that committee in the 107th Congress), but no further action occurred.

¹⁰ For additional information on many of these topics, see CRS Report RL31116, *Water Infrastructure Needs and Investment: Review and Analysis of Key Issues*, by Claudia Copeland and Mary Tiemann.

In the 109th Congress, the Senate Environment and Public Works Committee approved S. 1400, which was similar to S. 2550 in the 108th Congress. No further action occurred on this bill, and there was no legislative activity in the House.

In the 110th Congress, the House approved three wastewater infrastructure financing bills; however, the Senate did not act on any of them. The first, H.R. 720, was substantially similar to legislation that the House Water Resources and Environment Subcommittee approved in the 108th Congress (H.R. 1560). The House also passed H.R. 569, a bill to reauthorize CWA Section 221 and to provide funding for projects to correct municipal sewer overflows; and H.R. 700, a bill to reauthorize CWA Section 220 and to extend a pilot program to develop alternative water source projects (i.e., projects to meet critical water supply needs). The Senate Environment and Public Works Committee approved S. 3617, a bill that was similar to the committee's bill in the 109th Congress, but no further action occurred.

Water infrastructure legislation again received attention in the 111th Congress. The House passed a bill (H.R. 1262), and legislation was reported by a Senate committee (S. 1005). The House-passed bill would have reauthorized SRF capitalization grants for five years (through FY2014), and it also included provisions of five bills that passed the House during the 110th Congress but were not enacted dealing with issues such as authorizing grants for sewer overflow projects and authorizing alternative water supply demonstration projects. The Senate committee bill would have authorized \$20 billion over five years for clean water SRF grants and \$14.7 billion for drinking water SRF grants. It also would have added a \$1.85 billion nationwide grant program for addressing combined sewer overflows (reauthorizing existing CWA §221) and a \$50 million grant program for agriculture-related water quality issues.

Throughout this period, several factors have contributed to difficulties in moving these bills further in the legislative process. They include Bush Administration opposition to higher authorization levels, controversies over application of prevailing wage requirements of the Davis-Bacon Act to water infrastructure projects, and disputes over the formula for allocating clean water SRF grants among the states.

The issue of the applicability of the Davis-Bacon Act to SRF-funded projects has been especially controversial, because that act has both strong supporters and critics in Congress and elsewhere. Critics of Davis-Bacon say that it unnecessarily increases public construction costs and hampers competition, while supporters say that it helps stabilize the local construction industry by preventing competition that would undercut local wages and working conditions. Under the original SRF program authorization enacted in 1987, the Davis-Bacon Act applied to so-called "first use" monies provided by a state from its SRF (that is, loans made from initial federal capitalization grants, but not to subsequent monies provided from repayments to the SRF). When that authorization expired at the end of FY1994, Davis-Bacon requirements also expired. Thus, the recent issue has been whether to restore the applicability of those requirements.¹¹

A second issue that has complicated enactment of legislation is the method of allocating SRF capitalization grants among the states. CWA Section 205(c)(3) contains a table that identifies each state's percentage share of appropriated funds. Changing the formulation of how funds are distributed matters to every state, because inevitably it results in "winners" and "losers." But because the existing statutory allotment has not been revised since 1987, while needs have changed considerably, the issue is important to considering clean water infrastructure

¹¹ For information, see CRS Report R41469, *Davis-Bacon Prevailing Wages and State Revolving Loan Programs Under the Clean Water Act and the Safe Drinking Water Act*, by Gerald Mayer and Jon O. Shimabukuro.

legislation.¹² House and Senate bills in the 111th Congress included revised allotment formulas based in part on newer estimates of states' funding needs.¹³ The allocation formula was one of the factors that contributed to the fact that the Senate did not consider S. 1005. The formula proposed in the legislation was based on needs identified in the 2004 clean water needs survey. However, after the Senate committee reported the bill, EPA released the 2008 needs survey, leading some Members to favor developing a different formula based on the newer needs estimates. Ultimately, bill sponsors were unable to revise the allocation formula in the legislation to meet these concerns.

Despite these specific issues that have stalled legislation, the act's water infrastructure program is widely supported both inside and outside Congress, and renewed attention by the 112th Congress could occur. Reauthorization legislation was introduced in the House (H.R. 3145), but no further action occurred.

Most policymakers acknowledge that communities face formidable challenges in providing adequate and reliable water infrastructure services to their citizens, and Congress is considering ways to help meet those challenges. Several policy options have been discussed at hearings held by the House Transportation and Infrastructure Subcommittee on Water Resources and Environment and the Senate Environment and Public Works Subcommittee on Water and Wildlife. Some of the options exist and are well established—such as the SRF program—while some are newer—such as creating a national infrastructure bank. One would establish a Water Infrastructure Finance and Innovation Act (WIFIA) program, similar to an existing program for transportation projects; a WIFIA proposal was introduced in the 112th Congress (S. 3626). Some of these options are intended to provide long-term revenue to support infrastructure financing programs, and some are intended to encourage private participation in providing wastewater services. At this point, there is no consensus favoring a preferred policy, and many advocate a combination of options to expand the financing “toolbox.”¹⁴

Regulatory Protection of Wetlands

How best to protect the nation's remaining wetlands and regulate activities taking place in wetlands has become one of the most contentious environmental policy issues. Much of the debate has focused on the CWA, which contains a key wetlands regulatory tool. The permit program in CWA Section 404 requires landowners or developers to obtain permits for disposal of dredged or fill material that is generated by construction or similar activity into navigable waters of the United States, including wetlands. Section 404 has evolved through judicial interpretation and regulatory change to become one of the principal federal tools used to protect wetlands, although that term appears only once in Section 404 itself and is not defined there. At the same time, its implementation has come to be seen as intrusive and burdensome to those whose activities it regulates. At issue today is how to address criticism of the Section 404 regulatory program while achieving desired goals of wetlands protection in the context of meeting the goals and objectives of the CWA.¹⁵

¹² For additional information on the current statutory formula, see CRS Report RL31073, *Allocation of Wastewater Treatment Assistance: Formula and Other Changes*, by Claudia Copeland.

¹³ See the discussion in CRS Report R40098, *Water Quality Issues in the 111th Congress: Oversight and Implementation*, for details.

¹⁴ For additional information, see CRS Report R42467, *Legislative Options for Financing Water Infrastructure*, by Claudia Copeland, William J. Mallett, and Steven Maguire.

¹⁵ For additional information, see CRS Report RL33483, *Wetlands: An Overview of Issues*, by Claudia Copeland.

Unlike the rest of the act, the permit aspects of Section 404 are administered by the U.S. Army Corps of Engineers, rather than EPA, although the Corps uses environmental guidance jointly developed with EPA to evaluate permit applications. Other federal agencies including the Fish and Wildlife Service (FWS) and Natural Resource Conservation Service (NRCS) have more limited roles in the Corps' permitting decisions. Tension has existed for many years between the regulation of activities in wetlands under Section 404 and related laws, on the one hand, and the desire of landowners to develop property that may include wetlands, on the other hand. The conflicts over wetlands regulation have for the most part occurred in administrative and judicial proceedings, as Congress has not amended Section 404 since 1977, when it provided exemptions for categories of routine activities, such as normal farming and forestry. Controversy has grown over the extent of federal jurisdiction and impacts on private property, burdens and delay of permit procedures, and roles of federal agencies and states in issuing permits.

Judicial Proceedings Involving Section 404

One issue involving long-standing controversy and litigation is whether isolated waters are properly within the jurisdiction of Section 404. Isolated waters—wetlands which are not physically adjacent to navigable surface waters and may be wet only for portions of the year—often appear to provide only some of the values for which wetlands are protected, such as flood control or water purification, even if they meet the technical definition of a wetland.

SWANCC

In 2001, the Supreme Court ruled on the question of whether the CWA provides the Corps and EPA with authority over isolated waters. The Court's 5-4 ruling in *Solid Waste Agency of Northern Cook County (SWANCC) v. U.S. Army Corps of Engineers* (531 U.S. 159 (2001)) held that the Corps' denial of a 404 permit for a disposal site on isolated wetlands solely on the basis that migratory birds use the site exceeded the authority provided in the act.

The full extent of impacts on the regulatory program resulting from this decision still remains unclear, even 10 years after the ruling, in part because of different interpretations of *SWANCC* reflected in subsequent federal court cases. While it continues to be difficult to fully assess how regulatory protection of wetlands will be affected as a result of the *SWANCC* decision and other possible changes, the remaining responsibility to protect affected wetlands falls on states and localities.¹⁶ Environmentalists believe that the Court misinterpreted congressional intent on the matter, while industry and landowner groups welcomed the ruling. Policy implications of how much the decision restricts federal regulation depend on how broadly or narrowly the opinion is applied. Some federal courts have interpreted *SWANCC* narrowly, thus limiting its effect on existing permit rules, while a few have read the decision more broadly, resulting in a more restrictive interpretation of regulatory jurisdiction.

The government's view on this key question came in EPA-Corps guidance issued in January 2003. It provides a legal interpretation essentially based on a narrow reading of the Court's decision, thus allowing federal regulation of some isolated waters to continue, but it calls for more headquarters review in disputed cases. Interest groups on all sides have been critical of confusion in implementing the 2003 guidance, which constitutes the main tool for interpreting the reach of the *SWANCC* decision. Environmentalists remain concerned about diminished protection

¹⁶ For additional information, see CRS Report RL30849, *The Supreme Court Addresses Corps of Engineers Jurisdiction Over "Isolated Waters": The SWANCC Decision*, by Robert Meltz.

resulting from the guidance, while developers said that without new regulations, confusing and contradictory interpretations of wetland rules will continue.

Rapanos v. United States

Federal courts continue to have a key role in interpreting and clarifying the *SWANCC* decision. In February 2006, the Supreme Court heard arguments in two consolidated cases brought by landowners (*Rapanos v. United States*; and *Carabell v. U.S. Army Corps of Engineers*) seeking to narrow the scope of the CWA permit program as it applies to development of wetlands. The issue in both cases had to do with the reach of the CWA to cover “waters” that were not navigable waters, in the traditional sense, but were connected somehow to navigable waters or “adjacent” to those waters. (The act requires a federal permit to discharge dredged or fill materials into “navigable waters.”) Many legal and other observers hoped that the Court’s ruling in these cases would bring greater clarity about the scope of federal jurisdiction.

The Court’s ruling on the two cases was issued on June 19, 2006 (*Rapanos, v. United States*, 547 U.S. 715 (2006)). In a 5-4 decision, a plurality of the Court, led by Justice Scalia, held that the lower court had applied an incorrect standard to determine whether the wetlands at issue are covered by the CWA. Justice Kennedy joined this plurality to vacate the lower court decisions and remand the cases for further consideration, but he took different positions on most of the substantive issues raised by the cases, as did four other dissenting Justices.¹⁷ Because the several opinions written by the Justices did not draw a clear line regarding which wetlands and other waters are subject to federal jurisdiction, one result has been more case-by-case determinations and continuing litigation. There also has been pressure on the Corps and EPA to clarify the issues through an administrative rulemaking.

Corps/EPA Guidance

In June 2007—nearly one year after the *Rapanos* ruling—EPA and the Corps issued guidance to enable their field staffs to make CWA jurisdictional determinations in light of the decision. According to the guidance, the agencies will assert regulatory jurisdiction over certain waters, such as traditional navigable waters and adjacent wetlands. Jurisdiction over others, such as non-navigable tributaries that do not typically flow year-round and wetlands adjacent to such tributaries, will be determined on a case-by-case basis, to determine if the waters in question have a significant nexus with a traditional navigable water.

The guidance took effect immediately, but the agencies also solicited public comments, and left open the possibility of further changes in the future. Based on more than 66,000 public comments received and 18 months of implementation of the 2007 guidance, EPA and the Corps issued revised guidance December 2, 2008.¹⁸ The revisions made few changes to the earlier document, but did add clarification of some key terms that are important to determining CWA jurisdiction, such as the meaning of the regulatory term “adjacent wetlands.” Some environmental groups criticized the 2008 revised guidance, saying that it continues to substantially limit the scope of waters that are protected by the CWA. Industry analysts said that the few changes in the guidance could make it simpler for regulators to make jurisdictional determinations, but overall, industry

¹⁷ For additional information, see CRS Report RL33263, *The Wetlands Coverage of the Clean Water Act (CWA) Is Revisited by the Supreme Court: Rapanos v. United States*, by Robert Meltz and Claudia Copeland.

¹⁸ The 2008 revised guidance and related documents, including the 2007 guidance that it supersedes, are available at <http://www.epa.gov/owow/wetlands/guidance/CWAwaters.html>.

groups such as developers remain frustrated by what they see as inconsistencies and delays in obtaining needed permits.

The Obama Administration entered this debate in April 2011, when EPA and the Corps proposed new guidance to replace the agencies' 2003 and 2008 guidance (these earlier guidance documents remain in effect until new guidance is finalized). The new guidance is intended to clarify regulatory jurisdiction over U.S. waters and wetlands, consistent with the Supreme Court decisions and agency regulations. Like previous guidance documents, the Obama draft examines current regulatory definitions of waters that are subject to CWA jurisdiction, such as interstate waters, and tributaries (at 33 CFR §328.3 and 40 CFR §230.3) in light of the Supreme Court's rulings to determine which waters are clearly subject to the CWA, which waters are not, and which waters require a case-specific analysis in order to determine jurisdiction. The document states that "after careful review of these opinions, the agencies concluded that previous guidance did not make full use of the authority provided by the CWA to include waters within the scope of the Act, as interpreted by the Court." Based on current interpretations, the agencies expect that

the extent of waters over which the agencies assert jurisdiction under the CWA will increase compared to the extent of waters over which jurisdiction has been asserted under existing guidance, though certainly not to the full extent that it was typically asserted prior to the Supreme Court decisions in *SWANCC* and *Rapanos*.¹⁹

This conclusion is based on the agencies' view that the draft guidance clarifies jurisdiction over some waters that previously were uncertain. EPA and the Corps believe that the resulting expanded jurisdiction will not be great, in terms of acreage or stream miles.

The EPA/Corps proposed guidance quickly generated more controversy. Some critics argue that the guidance represents over-reaching by the agencies, beyond authority provided by Congress. Others fault the continued reliance on federal guidance, which is not binding and lacks the force of law, yet can have significant impact on regulated entities. The agencies accepted public comment on the revised guidance until July 31, 2011, and they also plan to propose revisions of existing regulations to further clarify which waters are subject to CWA jurisdiction, after the guidance is final. However, the schedule for either final guidance or new regulations is uncertain: as of December 2012, final guidance has not been issued, and no regulatory changes have been proposed.

Legislative Responses

Congressional committees have held oversight hearings on both the *SWANCC* and *Rapanos* decisions, seeking clarification of interpretations and impacts of the rulings. But the uncertainties about federal jurisdiction over wetlands and other waters raised by the rulings remain highly controversial. In response, legislation to overturn the decisions by providing a broad definition of "waters of the United States" has been introduced regularly since the 107th Congress. Legislation that instead would have narrowed the definition of "waters of the United States" also was introduced in the 109th Congress, and similar proposals were introduced in the 112th Congress, as described below.

Environmental advocates and others contend that Congress must clarify the important issues left unsettled by the Supreme Court's 2001 and 2006 rulings and by the Corps/EPA guidance. They also argue that legislation is needed to "reaffirm" what Congress intended when the CWA was

¹⁹ U.S. Environmental Protection Agency and Department of the Army, Corps of Engineers, "Draft Guidance on Identifying Waters Protected by the Clean Water Act," April 27, 2011, p. 3. The proposed revised guidance and related documents are available at <http://water.epa.gov/lawsregs/guidance/wetlands/CWAwaters.cfm>.

enacted in 1972 and what EPA and the Corps have subsequently been practicing until the two Supreme Court rulings, in terms of CWA jurisdiction. But critics have questioned the constitutionality of legislation that has been proposed, and have asserted that it would expand federal authority, thus likely increasing confusion, rather than settling it.

Obama Administration officials have addressed concerns about the continuing uncertainties regarding the proper scope of CWA regulatory jurisdiction. In May 2009, the heads of EPA, the Corps, the Department of Agriculture, the Department of the Interior, and the Council on Environmental Quality jointly wrote to congressional leaders to support the need for legislative clarification of the issues—marking the first time that the Administration has done so—and to identify certain principles that might help guide legislative and other actions: broadly protect the nation’s waters; make the definition of covered waters predictable and manageable; promote consistency between CWA and agricultural wetlands programs; and recognize long-standing practices, such as exemptions now in effect only through regulations or guidance.²⁰

In the 111th Congress, legislation similar to bills introduced previously was advanced by a Senate committee, but the bill was not considered by the full Senate. On June 18, 2009, the Environment and Public Works Committee approved, 12-7, an amended version of S. 787, the Clean Water Restoration Act. A committee report on S. 787 (S.Rept. 111-361) was filed more than 18 months later, days before the 111th Congress adjourned *sine die*. The bill would have amended the CWA to define “waters of the United States” to mean:

all waters subject to the ebb and flow of the tide, the territorial seas, and all interstate and intrastate waters, including lakes, rivers, streams (including intermittent streams), mudflats, sandflats, wetlands, sloughs, prairie potholes, wet meadows, playa lakes, and natural ponds, all tributaries of any of the above waters, and all impoundments of the foregoing.

The bill would have excluded prior converted cropland and certain waste treatment systems from the term “waters of the United States,” and it would have protected, or saved, existing regulatory exclusions such as for dredge or fill discharges from normal farming activities. The bill also would have instructed that “waters of the United States” be construed consistently with (1) how EPA and the Corps interpreted and applied “waters of the United States” prior to January 9, 2001, the day before *SWANCC* was decided; and (2) Congress’s constitutional authority. During markup, the committee rejected several amendments that would have struck some of the terms in the new definition (such as mudflats and prairie potholes), but it approved language stating that the CWA’s jurisdiction shall be construed consistent with EPA and Corps interpretation prior to January 9, 2001. However, critics asserted that that intent was what the Court found invalid in its rulings in the *SWANCC* and *Rapanos* cases.

Companion legislation was introduced in the House in 2010 (H.R. 5088, America’s Commitment to Clean Water Act).²¹ Like S. 787, the House bill was intended to clarify regulatory scope of the CWA and restore jurisdiction as it had been interpreted prior to the *SWANCC* and *Rapanos* rulings. Like the Senate committee bill, H.R. 5088 would have deleted the word “navigable” from the law and would have amended the CWA to define “waters of the United States,” which would become the operational term for jurisdiction. Unlike the Senate committee bill described above, the new definition of that term was to be drawn from existing EPA-Corps regulatory definitions, with some modifications. The principal House sponsor, Representative Oberstar, stated at the time

²⁰ See http://epw.senate.gov/public/index.cfm?FuseAction=Majority.PressReleases&ContentRecord_id=64739ae3-802a-23ad-4c30-36fc58cc1014&Region_id=&Issue_id=.

²¹ For information on the 111th Congress legislation, see CRS Report R41225, *Legislative Approaches to Defining “Waters of the United States,”* by Claudia Copeland.

that the bill differed from prior proposals (such as H.R. 2421 in the 110th Congress), based on extensive public comments and suggestions. Despite changes from earlier versions, the bill was criticized based on concern that it would increase the scope of federal jurisdiction, not merely re-state what Congress enacted in 1972.

While interest in these issues remains high, future prospects for similar legislation are highly uncertain because of the widely differing views of proponents and opponents. However, EPA's and the Corps' efforts to develop revised *Rapanos* guidance have been controversial. Legislative provisions to prohibit the agencies from funding activities related to revising the guidance were included in several appropriations bills in the 112th Congress, but none of these provisions was included in the legislation providing full-year 2012 appropriations for the Corps and EPA (P.L. 112-74), enacted in December 2011. Interest in similar legislation guidance continued with bills such as S. 2245 and H.R. 4965, to prevent the agencies from finalizing the 2011 draft guidance and S. 2122/H.R. 4304, which would have amended the CWA with a narrow definition of waters that are subject to the act's jurisdiction. None of these bills was enacted.

Other Clean Water Act Issues

A number of other issues affecting efforts to achieve the goals and objectives of the CWA have drawn interest recently and been the subject of congressional oversight and legislation. Attention to similar issues occurred in the 112th Congress, with some legislators highly critical of recent regulatory initiatives and others more supportive of EPA's implementation efforts.

Over the past four years, EPA has proposed and promulgated numerous regulations implementing the CWA and other pollution control statutes that it administers. Critics of the Administration, both in Congress and outside of it, have accused the agency of reaching beyond the authority given it by Congress and ignoring or underestimating the costs and economic impacts of these rules. Republican leaders in the House conducted vigorous oversight of the agency in the 112th Congress. Bills seeking to overturn specific regulations or to limit the agency's authority also were introduced, as were proposals to bar EPA funding for specific activities (see "Continuing Issue: Appropriations" below). Environmental groups disagree that the agency has overreached, and EPA itself maintains that its pace of regulation is actually slower than the pace during the first years of the Clinton and George W. Bush Administrations. Agency officials contend that critics' focus on the cost of controls obscures the benefits of new regulations, which, EPA estimates, far exceed the costs, while investing in pollution control is an important source of economic activity, exports, and American jobs. While particular attention has been paid to the Clean Air Act, a number of EPA's initiatives concerning the CWA also received scrutiny.²²

Chesapeake Bay Restoration

Despite several decades of activity by governments, the private sector, and the general public, efforts to improve and protect the Chesapeake Bay have been insufficient to meet restoration goals. Although some specific indicators of Bay health have improved slightly or remained steady (such as blue crabs and underwater bay grasses), others remain at low levels of improvement, especially water quality. Overall, the Bay and its tributaries remain in poor health, with polluted water, reduced populations of fish and shellfish, and degraded habitat and resources. The primary

²² For information, see CRS Report R41561, *EPA Regulations: Too Much, Too Little, or On Track?* by James E. McCarthy and Claudia Copeland.

pollutants causing impairments are nutrients (nitrogen and phosphorus) and sediment discharged from multiple urban, suburban, and rural sources around the Bay.

In May 2009, President Obama issued an executive order that declared the Bay a “national treasure” and charged the federal government with assuming a strong leadership role in restoring the Bay.²³ The executive order established a Federal Leadership Committee for the Chesapeake Bay to develop and implement a new strategy for protecting and restoring the Chesapeake region. The resulting strategy, released in May 2010, launched major specific environmental initiatives to establish new clean water regulations on stormwater discharges and pollution discharges from animal feedlots in the Bay watershed, put new agricultural conservation practices on farms in the region, and restore land and water habitat.²⁴

A central feature of the overall strategy is EPA’s establishment of a Total Maximum Daily Load (TMDL) for Chesapeake Bay. Section 303 of the CWA requires states to identify waters that are impaired by pollution, even after application of pollution controls. For those waters, states must establish a TMDL to ensure that water quality standards can be attained. A TMDL is essentially a pollution budget, a quantitative estimate of what it takes to achieve standards, setting the maximum amount of pollution that a waterbody can receive without violating standards. If a state fails to do this, EPA is required by the CWA to make its own TMDL determination for the state. Throughout the United States—including the Chesapeake Bay watershed—more than 20,000 waterways are known to be violating applicable water quality standards and to require a TMDL.²⁵ Lawsuits have been brought with the intention of pressuring EPA and states to develop TMDLs; under a consent decree in one such lawsuit, EPA was required to establish a Chesapeake Bay TMDL no later than May 1, 2011. EPA issued the TMDL on December 29, 2010. The Chesapeake Bay TMDL is the largest single TMDL developed to date. It addresses all segments of the Bay and its tidal tributaries that are impaired from discharges of nitrogen, phosphorus, and sediment, with a goal of having TMDL implementation measures in place by 2025. The TMDL allocates needed reductions of these pollutants to all jurisdictions in the 64,000 square mile watershed. Detailed plans identifying specific reductions are to be developed by the six states located in the Chesapeake Bay watershed in Watershed Implementation Plans (WIPs).²⁶

As part of the TMDL development process, states are to prepare WIPs identifying specific reductions and control measures to achieve needed pollutant reductions from point sources (i.e., industrial and municipal facilities and CAFOs) and nonpoint sources (i.e., farms and forests), as well as two-year milestones to implement the plans. The first phase of WIPs, providing a general outline of steps that states will take to implement the TMDL, were developed in December 2010, and EPA is now reviewing Phase II WIPs developed by states to provide more localized identification of controls and best management practices needed to meet the goals of the TMDL.

EPA’s TMDL plans and the overall federal Bay restoration strategy under the executive order are controversial with a number of groups that are concerned about the likely mandatory nature of many of EPA’s and states’ upcoming actions. Legal challenges to the TMDL were brought by agricultural and home builder groups, who argue that EPA has exceeded its CWA authority. On the other hand, environmental activists are pleased that the federal government is finally asserting a leadership role to restore the Bay and have supported legislation that would codify requirements

²³ Executive Order 13508, “Chesapeake Bay Protection and Restoration,” 74 *Federal Register* 23099-23104, May 15, 2009.

²⁴ For information, see http://www.chesapeakebay.net/news_federalstrategy.aspx?menuitem=51207.

²⁵ For background information, see CRS Report R42752, *Clean Water Act and Pollutant Total Maximum Daily Loads (TMDLs)*, by Claudia Copeland.

²⁶ For information on the TMDL, see <http://www.epa.gov/chesapeakebaytmdl/>.

for the Bay TMDL in the Clean Water Act, while authorizing grants and other assistance for implementing required measures. Companion bills to do so were introduced in the 111th Congress (S. 1816 and H.R. 3852), but no legislation was enacted. The House Agriculture Committee also approved separate legislation (H.R. 5509) that would have authorized an expanded role for the Department of Agriculture in Chesapeake Bay restoration. Legislation similar to H.R. 5509 was introduced in the 112th Congress (H.R. 4153). Congress showed interest in the impact of the plan on agriculture through oversight hearings by the House Agriculture Subcommittee on Conservation, Energy, and Forestry (on March 16 and November 3, 2011).

Florida Nutrient Water Quality Standards

The CWA directs states to adopt water quality standards for their waters and authorizes EPA to promulgate new or revised standards if a state's actions fail to meet CWA requirements. Water quality standards consist of designated uses, criteria to protect the designated uses, and an antidegradation statement. They serve as the framework for pollution control measures specified by states for individual sources.

Florida waters are severely impaired by nutrients (nitrogen and phosphorus) from diverse sources including agriculture and livestock, municipal and industrial wastewater discharges, and urban stormwater runoff. EPA determined in 2009 that Florida's existing *narrative* water quality standards for nutrients must be revised in the form of *numeric* criteria that will enable Florida to better control nutrient pollution. In 2009 EPA entered into a consent decree with environmental litigants requiring the agency to promulgate numeric nutrient water quality standards for Florida. To meet the legal deadline, EPA issued the first phase of these standards on November 15, 2010, establishing standards for lakes and flowing waters in the state. The EPA rule does not establish any requirements directly applicable to regulated entities or other sources of nutrient pollution. Water quality standards do not have the force of law until the state translates them into permit limits or otherwise imposes pollution control requirements on dischargers in the state.

The rule has not yet gone into effect, as EPA has delayed the effective date to prepare for implementation and state efforts to develop a rule that EPA could approve. First, in response to criticism of the proposed standards, EPA delayed the effective date of the 2010 rule for 15 months, to allow local governments, businesses, and the state of Florida time to review the standards and develop implementation strategies.

Second, EPA has said all along that it prefers that Florida implement its own numeric nutrient water quality criteria, and in June 2012 the state submitted revised standards with numeric nutrient criteria. In response, EPA indicated to the state that the agency likely would approve the standards, at which time the agency would initiate administrative action to repeal the 2010 federal rule. Consequently, EPA delayed the effective date of the 2010 rule several times to allow the state to complete its process and to avoid confusion that could occur if federal criteria became effective while state criteria are being reviewed.

At the same time, separate legal challenges to the 2010 rule were filed in federal court by environmental advocates, several industry groups, and Florida's agriculture commissioner. In February 2012, a federal court ruling largely upheld EPA's authority and methodology in setting numeric criteria for nutrient pollution in Florida waters, but it remanded a portion of the rule concerning numeric criteria for streams, saying they were arbitrary and capricious.

Further, EPA's deadline for issuing the second phase of standards, for estuaries, coastal waters, and flowing waters in the South Florida Region, also was extended several times to allow the state to develop its own standards.

On November 30, 2012, EPA announced approval of the standards submitted by the state in June, saying that they “make significant advancements to the approach of reducing nutrient pollution in Florida waters.” However, because the state’s rules do not cover all of its waters (some estimate that the rules cover about 15% of the state’s 100,000 miles of waterways), EPA at the same time proposed two rules as required by the February 2012 federal court order. First, it proposed a rule for the remanded portion of the 2010 federal rule, and second, it proposed a Phase II rule that applies to estuaries and coastal waters not covered by Florida’s rules and to South Florida flowing waters, including numeric downstream protective values for estuaries. Under the February court order, EPA is to issue a final rule for the remand of the 2010 rule by August 13, 2013, and a final Phase II rule by September 13, 2013. It is conceivable that these dates could change, based on Florida’s efforts to adopt numeric nutrient water quality standards or other factors. Finally, EPA said that it will ask the court for another extension of the effective date of those portions of the Phase I rule that were not remanded in February (for lakes and springs) from January 6, 2013, to November 15, 2013.²⁷

While few dispute the need to reduce nutrients in Florida’s waters, EPA’s proposal has been controversial, involving disputes about the data underlying the proposal, potential costs of complying with numeric standards when they are incorporated into discharge permit limitations, and disputes over administrative flexibility. Industry groups, which oppose federal rulemaking and support the state’s efforts, endorsed EPA’s approval on November 30. Environmental groups believe that the new state rule is inadequate in several respects, and they could pursue legal challenge of EPA’s action. Further, some industry groups fear that EPA’s actions in Florida will be a precedent for similar regulatory action elsewhere. For example, although EPA officials have said they have no specific plans to do so, environmental advocacy groups have petitioned or filed lawsuits seeking to require EPA to establish numeric nutrient water quality standards in Kansas and for the Upper Mississippi River Basin (in July 2012, EPA denied the petition seeking similar federal water quality standards for the Upper Mississippi River Basin).

EPA’s actions drew attention in the 112th Congress. Legislation approved by the House in July 2011 (H.R. 2018) would have restricted EPA’s oversight of state water quality standards by allowing the agency to promulgate a water quality standard for a state only if EPA has previously approved the state’s standard and the state concurs that a new or revised standard is necessary. Likewise, the House Appropriations Committee included a general provision in H.R. 2584, FY2012 appropriations for EPA that would have barred EPA from spending funds to implement or enforce the standards that were issued in 2010. This provision was not included in legislation providing full-year 2012 appropriations for EPA (P.L. 112-74), enacted in December 2011. Separate legislation also was introduced to limit EPA’s authority to promulgate numeric nutrient criteria in Florida (H.R. 3856/S. 2115).

Mountaintop Mining in Appalachia

Mountaintop removal coal mining involves removing the top of a mountain in order to recover the coal seams contained there. This practice occurs in six Appalachian states (Kentucky, West Virginia, Virginia, Tennessee, Pennsylvania, and Ohio). It creates an immense quantity of excess spoil, which is typically placed in nearby valleys, burying streams that flow through the valleys. Critics say that, as a result of valley fills, stream water quality and the aquatic and wildlife habitat that streams support are destroyed. The mining industry argues that mountaintop mining is essential to conducting surface coal mining in the Appalachian region and that surface coal

²⁷ For additional information, see http://www.epa.gov/lawsregs/rulesregs/florida_index.cfm.

mining would not be economically feasible there if producers were restricted from using valleys for the disposal of mining overburden.²⁸

Mountaintop mining is regulated under several laws, including the CWA Section 404 permit program (discussed above) and the Surface Mining Control and Reclamation Act. In June 2009, officials of EPA, the Corps of Engineers, and the Department of the Interior's Office of Surface Mining and Reclamation (OSM) signed a Memorandum of Understanding outlining a series of administrative actions under these laws to reduce the harmful environmental impacts of mountaintop mining and surface coal mining in Appalachia. The plan includes a series of near-term and longer-term actions that emphasize specific steps, improved coordination, and greater transparency of decisions. The actions are being implemented through regulatory proposals, guidance documents, and review of pending applications for permits to authorize mountaintop mining-valley fill operations. In July 2009, the Army Corps suspended the use of a particular CWA general permit for surface coal mining activities in Appalachia and proposed a rule to prohibit its use entirely and issued a final rule in February 2012 to apply more stringent CWA rules to these coal mining operations.

In July 2011 EPA issued guidance on review of CWA Section 402 and 404 permit requests for surface coal mining in Appalachia. The guidance tightened oversight of permit reviews in several ways, most notably by establishing two benchmarks for stream conductivity, which is a measure of the level of salinity in water and is a proxy for dissolved solids in stream waters associated with mining activity that may contribute to toxicity. The guidance has been very controversial with industry. The House Transportation Subcommittee on Water Resources and Environment held hearings on these issues in May 2011. A hearing also was held by the House Government Reform and Oversight Committee in July 2011.

In the 111th Congress (as in several prior Congresses), legislation intended to sharply restrict the practice of mountaintop mining was introduced (H.R. 1310, the Clean Water Protection Act, and a different measure, S. 696, the Appalachia Restoration Act). Both bills would have narrowed the CWA definition of "fill material," and thus narrowed the types of materials that can be discharged into U.S. waters under a Section 404 permit. The significance of both bills is that discharges of materials that are not eligible for a Section 404 permit are regulated under CWA Section 402. Because Section 402 discharge requirements are more restrictive than those for Section 404, some discharges that could be permitted under Section 404 cannot be authorized under Section 402. Supporters of the bills favored making it more difficult to use Section 404 to authorize activities that they consider to be environmentally harmful. On the other hand, critics said that, as a practical matter, economically important activities such as coal mining could not meet the more stringent limitations of a Section 402 permit and, thus, would be infeasible. In the 112th Congress, H.R. 1375 was introduced; it was similar to H.R. 1310 in the 111th Congress.

Additionally, legislation intended to restrict the Administration's recent regulatory actions also was introduced in the 111th Congress (H.R. 6113 and S. 3933, the Electricity Reliability Protection Act of 2010). This bill would have prohibited EPA, the Corps, and OSM from administering or enforcing any policy or procedure that was announced in the June 2009 MOU or the April 2010 EPA draft permitting guidance (which was finalized in July 2011) unless they are contained in promulgated regulations. Critics of the Administration's actions have argued that the policies constitute rules, and thus should be subject to complete administrative requirements of rulemaking, including public notice and comment and subsequent judicial review. In July 2012, a federal court invalidated the 2011 guidance document, ruling that EPA had overstepped its

²⁸ For additional information, see CRS Report RS21421, *Mountaintop Mining: Background on Current Controversies*, by Claudia Copeland.

statutory authority. The government has appealed this ruling. In the 112th Congress, similar legislation was not introduced, but was included as an amendment to a House-passed bill providing FY2011 appropriations for EPA and other agencies (H.R. 1; see discussion of “FY2011 Appropriations,” below), although that appropriations bill was not enacted. Similar language also was included in bills providing FY2012 appropriations for the Corps (§109 of H.R. 2354), approved by the House in July 2011, and EPA (§433 of H.R. 2584), considered by the House in July 2011. None of these provisions was included in omnibus legislation providing full-year 2012 appropriations for the Corps and EPA (P.L. 112-74), enacted in December 2011.

Another aspect of this issue that drew congressional attention is EPA’s January 2011 veto of a CWA Section 404 permit for a surface coal mining operation in West Virginia, the Spruce No. 1 mine. In response, several bills were introduced in the 112th Congress to limit or prohibit EPA’s ability to exercise this veto authority.²⁹ One proposal (H.R. 2018) would have barred EPA from vetoing a 404 permit without concurrence of the state in which the discharge would originate. This bill was passed by the House in July 2011. EPA’s veto of the permit was challenged, and in March 2012, a federal district court overturned the veto, ruling that EPA had exceeded its statutory authority in the Spruce No. 1 action.³⁰ The government is appealing the district court’s ruling.

The Relationship Between CWA and FIFRA

In recent years, federal courts have held that aerial application of a pesticide over and into U.S. waters requires authorization under the CWA’s National Pollutant Discharge Elimination System (NPDES) permit program, even when the pesticide use meets other requirements of federal law, including the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). These decisions drew the attention of many pesticide applicators, including public health entities (such as mosquito control districts), concerned with how the rulings might affect their need to control pests associated with diseases such as the West Nile virus. In November 2006, EPA finalized a rule seeking to resolve the conflict over the regulatory scope of the CWA and FIFRA related to pesticide use, in light of the recent litigation, by promulgating clarifying circumstances under which a CWA permit is or is not required for activities carried out pursuant to FIFRA. However, in January 2009, a federal court rejected EPA’s argument that residual and excess pesticides do not require a CWA permit because they are adequately regulated by FIFRA, and the court vacated the rule.³¹ In June 2009, the federal court granted an EPA request for a delay in the effective date of the court’s ruling, allowing time for EPA to develop general CWA permits for pesticide applications covered by the ruling.³² General permits are intended to minimize regulatory burdens on pesticide applicators and state permitting officials, but there still has been significant concern about the impacts of EPA’s actions.

EPA issued the pesticide general permit on October 31, 2011, as required by the court.³³ EPA estimates that the universe of affected activities that for the first time will be subject to CWA

²⁹ For background on the veto, see CRS Report RS21421, *Mountaintop Mining: Background on Current Controversies*, by Claudia Copeland.

³⁰ *Mingo Logan Coal Co. v. EPA*, D.D.C., No. 1:10-cv-541, March 23, 2012.

³¹ *National Cotton Council of America v. U.S. Environmental Protection Agency*, 553 F.3d 927 (6th Cir. 2009).

³² For additional information, see CRS Report RL32884, *Pesticide Use and Water Quality: Are the Laws Complementary or in Conflict?*, by Claudia Copeland.

³³ U.S. Environmental Protection Agency, “Final National Pollutant Discharge Elimination System (NPDES) Pesticide General Permit for Point Source Discharges From the Application of Pesticides; Notice of final permit,” 76 *Federal Register* 68750-68756, November 7, 2011.

permits is approximately 5.6 million applications annually, which are performed by 365,000 applicators covering four use patterns: (1) mosquito and other flying insect pest control; (2) aquatic weed and algae control; (3) aquatic nuisance animal control; and (4) forest canopy pest control. Under the final permit, pesticide discharges that occurred before January 12, 2012, were automatically covered, but those occurring after date will have to apply for coverage. EPA and states are now implementing the permit requirements.³⁴

In spite of EPA's efforts to issue a general permit to respond to the 2009 court ruling, Congress has considered legislation to affirm that a CWA permit is not required for use of FIFRA-approved pesticides. In the 112th Congress, the House passed H.R. 872, a bill that would amend FIFRA and the CWA to provide that neither EPA nor a state may require a CWA permit for discharge of a pesticide whose use has been authorized pursuant to FIFRA. The Senate Agriculture Committee approved the bill without amendment in June 2011. Language identical to H.R. 872 was included in 2012 farm bill legislation approved by the House Agriculture Committee (H.R. 6083) and in other legislation (S. 1720 and S. 2365). None of these bills was enacted.

CWA Permits for Logging Road Discharges

A court ruling concerning pollutant discharges from certain logging roads is much like the judicial ruling concerning new requirements for CWA permits for the discharge of pesticides over and into U.S. waters (discussed above). In *Northwest Environmental Defense Center v. Brown* (640 F.3d 1063 (9th Cir. 2011)), the Ninth Circuit held that stormwater runoff from certain logging roads that is collected by and discharged from a system of ditches, culverts, and channels is a point source for which a CWA NPDES permit is required. This ruling invalidated EPA's position in regulations since 1976, that stormwater runoff from logging roads is nonpoint source pollution that does not require such a permit, even if the runoff is channeled and discharged through a discrete conveyance. Environmental groups contend that timber hauling on logging roads is a major source of sediment (rocks, dirt, gravel) that flows into streams and harms aquatic life. Critics of the court's decision say that the existing process has worked well for 35 years, with states regulating runoff and EPA not requiring permits. In response to the ruling, legislation was introduced in the 112th Congress that would amend the CWA to exempt any silviculture activity from requiring an NPDES permit under CWA Section 402 (H.R. 2541/S. 1369). Similar legislative language was included in P.L. 112-74, omnibus legislation providing full-year FY2012 appropriations for EPA, which was enacted in December 2011. The provision prohibited EPA until September 30, 2012, from requiring an NPDES permit, or requiring states to require such an NPDES permit, for stormwater runoff from roads associated with silviculture.

Timber industry groups and others, including a number of states, petitioned the Supreme Court to review the logging roads ruling. In May, the U.S. solicitor general informed the Court that the government agrees with petitioners that the Ninth Circuit judges erred in failing to defer to EPA on the agency's interpretation of its own regulations. However, the solicitor general asked the Court to let the appeals court ruling stand and to not accept the petition for certiorari, because EPA stated that it will issue a rule to specify that logging roads do not need discharge permits for stormwater runoff. Given the September 30, 2012, end to the congressional ban, EPA moved quickly on the rule, which the EPA Administrator signed on November 30, three days before the Supreme Court heard arguments in the case.³⁵ A ruling is expected in 2013. The outcome of this

³⁴ The EPA pesticide general permit applies in six states where EPA is the permitting authority (Alaska, Idaho, Massachusetts, New Hampshire, New Mexico, and Oklahoma), the District of Columbia, most U.S. territories, and on Indian tribal lands. Elsewhere, states have developed permits comparable to the federal permit.

³⁵ For additional information, see CRS Report R42587, *The Supreme Court Agrees to Decide Whether Logging Road Runoff, When Channeled, Requires a Clean Water Act Permit*, by Robert Meltz and Claudia Copeland.

case is uncertain, while further legal challenge to EPA's actions (i.e., the November 30 rule) is possible.

Continuing Issue: Appropriations

Clean water policy and program issues also have been addressed regularly by Congress in the context of annual appropriations acts. EPA's appropriations are included in the Interior, Environment, and Related Agencies appropriations acts.³⁶

FY2011 Appropriations

President Obama presented his FY2011 budget request to Congress on February 1, 2010. Overall, the President's budget called for a freeze on non-security discretionary expenditures at EPA and other federal agencies. Consequently, the total request for EPA was \$10.02 billion, compared with \$10.3 billion enacted for FY2010.³⁷ The FY2011 request sought \$2.0 billion for clean water SRF capitalization grants, which was \$100 million less than the FY2010 enacted level, but still an increase above recent years' funding levels. As in the FY2010 regular appropriations, the President's budget requested that states use 20% of their capitalization grants for "green infrastructure" projects (such as water efficiency or energy efficiency) and also use 30% of SRF capitalization grants in excess of \$1 billion in the form of additional subsidies (such as loan forgiveness or negative interest loans) to communities that face difficulties in paying for infrastructure projects.

One item that drew some congressional attention was the President's request for Great Lakes restoration. This funding would continue an initiative created in the FY2010 budget to target the most significant environmental problems of the Great Lakes ecosystem and to coordinate the work of multiple federal agencies in restoring the lakes. The budget requested \$300 million for these activities in FY2011, because most of the \$475 million appropriated in FY2010 was still uncommitted and unspent as of February 2010, when the FY2011 budget request was submitted. Only 8% of the 2010 funds had been obligated by that time, and some of that year's funds would not be spent until 2011, according to EPA.

Congress took only limited action on FY2011 funding for EPA before the start of the new fiscal year on October 1, 2010: a House Appropriations subcommittee approved a bill in July, but no further action followed. At the end of September 2010, the House and Senate passed a continuing resolution to extend FY2010 funding levels for EPA and other federal agencies and departments until December 3, 2010, because no FY2011 appropriations bills had been enacted by October 1. President Obama signed the continuing resolution (CR) on September 30 (P.L. 111-242). This bill was followed by six more short-term CRs before Congress came to final resolution of FY2011 spending on April 14, 2011, enacting a bill to provide funding for EPA and all other federal agencies and departments through September 30 (P.L. 112-10). The final bill reduced overall funding for EPA 15% below the FY2010 level and provided \$1.522 billion for the clean water SRF program, 27.5% below the FY2010 enacted level and 2% less than the President's request for FY2012 (discussed below).³⁸ The legislation, as enacted, did not include a number of policy

³⁶ For additional information, see CRS Report 96-647, *Water Infrastructure Financing: History of EPA Appropriations*, by Claudia Copeland.

³⁷ For information, see CRS Report R41149, *Environmental Protection Agency (EPA): Appropriations for FY2011*, by Robert Esworthy et al.

³⁸ Congress appropriated \$1.525 billion for the clean water SRF program, but also mandated a 0.2% across-the-board

issue amendments included in an earlier House-passed CR that intended to prohibit funding for a number of EPA regulatory activities discussed previously in this report, including implementation of the Administration's regulatory initiatives on mountaintop mining in Appalachia; implementation of the Chesapeake Bay TMDL; and implementation or enforcement of the November 2010 Florida numeric nutrient water quality standards rule.³⁹

FY2012 Appropriations

Consideration of the budget for FY2012 began even as funding for FY2011 was still not final. The President submitted the Administration's FY2012 budget request on February 14. It sought \$9 billion total for EPA, a decrease of \$1.3 billion from the FY2010 enacted level. It requested \$1.55 billion for clean water SRF capitalization grants, which EPA estimated would enable states and tribes to initiate approximately 600 clean water projects nationally. It also requested \$350 million for the Great Lakes Initiative.

For several days in July, the House debated H.R. 2584, providing FY2012 appropriations for EPA, but the House did not take final action on the bill before the August recess. As reported, the bill provided \$7.3 billion for EPA, 17% less than FY2011 funds and 19% less than the President's FY2012 request. It reduced funds for the clean water SRF capitalization grants to \$689 million (the same level provided in FY2008; see **Table 1**), while including no funds for congressionally designated special projects (i.e., earmarks). Other water quality-specific reductions in the bill included 14% less than FY2011 levels for the Section 319 grant program (for managing nonpoint source pollution) and the Section 106 grant program that assists state implementation of CWA programs. Further, the bill provided \$250 million for the Great Lakes Initiative (16.5% below the FY2011 level and 29% below the FY2012 request). In addition, H.R. 2584 as reported included a number of general provisions to prohibit funding for certain EPA water quality rules, guidelines, and initiatives, including mountaintop mining, Florida water quality standards, logging roads, and other topics.

However, the House took no final action on H.R. 2584, and there was no action in the Senate. Final congressional action on FY2012 appropriations for EPA and most other federal agencies and departments did not occur until the end of December 2011, enacted in an omnibus appropriations act, P.L. 112-74.

In this bill, overall funding for EPA is \$8.4 billion, approximately 3% below FY2011 levels. It includes \$1.47 billion (after rescissions) for the clean water SRF program (3.7% below the FY2011 amount and 5.1% less than the President's request),⁴⁰ and \$299.5 million for the Great Lakes Initiative, or \$50 million less than the request. The final legislation includes one legislative rider concerning water quality, in a provision dealing with CWA permit requirements for stormwater discharges from logging roads (see "CWA Permits for Logging Road Discharges" above).

rescission, resulting in final appropriation of \$1.522 billion.

³⁹ For information, see CRS Report R41698, *H.R. 1 Full-Year FY2011 Continuing Resolution: Overview of Environmental Protection Agency (EPA) Provisions*, by Robert Esworthy.

⁴⁰ Congress appropriated \$1.469 billion for the clean water SRF program, but also mandated a 0.16% across-the-board rescission in EPA's portion of the legislation, resulting in final appropriation of \$1.467 billion.

FY2013 Appropriations

President Obama presented the Administration's FY2013 budget request in February 2012. It sought \$8.34 billion overall for EPA, or 4.7% below the level enacted for FY2012. The request included \$1.175 billion for clean water SRF capitalization grants (20% below the FY2012 enacted level). The request included \$300 million for the Great Lakes Restoration Initiative.

The House Appropriations Committee approved legislation providing FY2013 funds for EPA in July 2012 (H.R. 6091). As reported, the bill provided \$689 million for clean water SRF capitalization grants (the same level provided in FY2008—see **Table 1**—and the same level that the Committee recommended for FY2012). The bill included \$250 million for the Great Lakes Restoration Initiative, \$150.5 million for CWA Section 319 grants (8.8% below FY2012), and \$204.3 million for Section 106 grants (23% below FY2012).

Like the FY2012 Committee-approved bill, the House legislation as reported included a number of general provisions to prohibit funding for certain EPA water quality rules, guidelines, and initiatives, including mountaintop mining, new stormwater regulations, defining waters of the United States, logging roads, and other topics. The bill would have added Buy American requirements for SRF-funded water infrastructure projects.

The House did not take up H.R. 6091, nor did the Senate act on an EPA appropriations bill (although the Senate Appropriations Committee released a draft bill in September⁴¹). Prior to the start of FY2013 on October 1, Congress passed and the President signed a continuing resolution bill providing funding for government agencies and departments through March 27, 2013 (P.L. 112-175). This measure funds the government generally at FY2012 levels plus a 0.6% increase. Final action on FY2013 appropriations is expected in early 2013.

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⁴¹ See <http://www.appropriations.senate.gov/news.cfm?method=news.view&id=fc23708b-fb33-4569-99b4-6cf0d0254457>.

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